

INTEL CORPORATION ANNUAL REPORT 1982

Intel in Brief

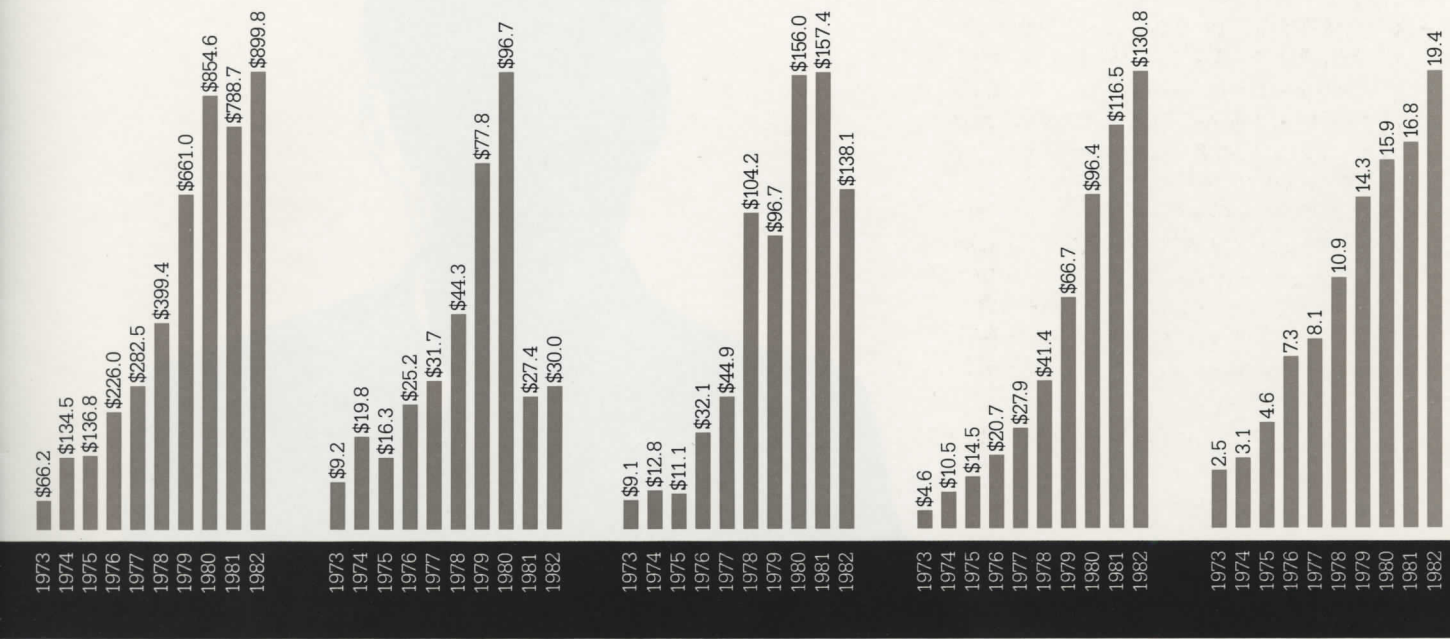
Intel Corporation is the world's largest manufacturer of Metal Oxide Semiconductor (MOS) integrated circuits. In its first 14 years, the company has established a solid reputation for innovation in microelectronics. Among Intel's "firsts" are the microprocessor, the erasable programmable read-only memory (EPROM), the single board computer, the microcomputer development system and the million-bit bubble memory.

Today Intel manufactures over 350 microelectronic products. Most of these are sold as components or sub-systems to "Original Equipment Manufacturers" which incorporate them into an extremely broad variety of systems sold to end users. Intel's major customers include manufacturers of data processing equipment, office equipment, process control systems, laboratory and medical instruments, telecommunications systems, automobiles and military systems.

Major U.S. Intel facilities are located in the San Francisco Bay Area, Portland, Phoenix, Austin and Albuquerque. Principal locations overseas are in Malaysia, Philippines, Japan, Barbados, Puerto Rico, Israel, Belgium and the United Kingdom. Intel has sales offices in 26 U.S. states and 27 nations. The company also sells a substantial portion of its products through a worldwide network of electronics distributors.

		1982	1981	Percent Change
Net revenues		$899,812	$788,676	14.1%
Income:	Before taxes	$ 30,346	$ 40,234	(24.6)%
	Net	$ 30,046	$ 27,359	9.8%
	Per share	$.65	$.61	6.6%
Return on revenues:	Before taxes	3.4%	5.1%	
	Net	3.3%	3.5%	
Return on average equity		5.8%	5.9%	

See page 18 for a description of our industry segment reporting.



Net Revenues
(Millions)

Net Income
(Millions)

Capital Additions
(Additions to Property, Plant and Equipment)
(Millions)

Research and Development
(Millions)

Employees
(At Year End)
(Thousands)

Management Report

While Intel's revenues for 1982 were up 14.1% to an all time high of $899.8 million, net income of $30.0 million or $.65 per share was about equal to 1981 and far below previous years. Pre-tax earnings were actually down in 1982, but a lower tax rate resulted in some increase in after-tax earnings.

Intel's business continues to be affected by the depressed world economy and strong international competition, particularly in the memory components area. Early in the year there were indications demand was growing. Intel's bookings of new orders grew to a record level in the second quarter, and it appeared the recovery had begun. We responded by increasing employment and opening two facilities whose completion we had previously delayed. These actions proved to be premature and not easily reversible. The recovery we thought we saw on the horizon turned out to be a mirage, as the improvement was not sustained in the second half of the year.

We enter 1983 with no real sign of an upturn visible. This recession (or series of recessions) is proving to be far more protracted than the previous ones experienced by our industry.

On a more positive note, 1982 was another heavy year for new product introductions. This is especially important as sales of new products will probably lead any recovery. Intel remains the world's largest supplier of semiconductor memories. Our lead in memories was extended by the introduction and first volume shipment of 128K EPROMs, the highest density programmable memory available.

We introduced our 64K dynamic RAM, and it was accepted well by the market. Under a technology exchange agreement announced in 1982, we supplied design and process information to enable IBM to manufacture our 64K RAM for their systems. Also new is the integrated RAM or IRAM, which combines the density of dynamic RAM with the ease-of-use of static RAM. Memories remain a strongly contested product area with considerable pressure on prices.

We strengthened our microcomputer product line considerably with the introduction of a new generation of 16-bit microprocessors and microcontrollers emphasizing highest performance and lowest system cost. The iAPX 186 offers complete software compatibility with our 8086, the industry's most broadly used 16-bit processor. Other features are high performance and the cost reduction that comes from integrating several additional systems functions on the same chip. The 186 has won more designs since its introduction than any previous Intel microprocessor in an equivalent time.

Another new microprocessor, the iAPX 286, offers features such as memory protection and virtual memory needed in larger multi-user systems. It also enhances performance, offering a migration path to larger systems. Our new 8096 microcontroller brings the power of a 16-bit architecture to real-time processing applications.



Andrew S. Grove

The combination of 186, 286 and 8096 with our earlier processors maintains our leadership position in this important product area.

We introduced a number of new system products based on our microprocessors. The iPDS "Personal Development System," an extension of our line of microcomputer software and hardware development systems, is a portable, low-cost unit that also can run standard personal computer-type software packages. At the top end of the market, our new NDS-II Network Development System facilitates the development of large software systems by several simultaneous users. We expect both of these systems to solidify our position as the leading manufacturer of development systems. Other system products introduced include a proprietary data base processor, the iDBP, and our 86/380 microcomputer.

In spite of the pressure on profits in this economy, we have maintained our strategic investments. Research and development expenditures of $130.8 million were a company record. Our capital expenditures of $138.1 million were at an all time high for new equipment, but less in total than in either of the two previous years because of a reduced construction program.

During the early part of the year we asked our professional and managerial employees to put forth extra effort in an attempt to maximize opportunities to assure our early recovery. This "125% Solution" succeeded in accelerating several important programs and we thank our employees for their dedication. Unfortunately it did not prove sufficient in the weak economy, and we were forced to ask our employees for another sacrifice. Effective with the beginning of the new year, we have cut salaries up to 10%. They will be frozen there for one year unless our financial performance justifies earlier restoration of the cuts.

As the year closed, IBM and Intel agreed that IBM would buy $250 million of newly issued Intel stock. IBM has agreed to a 30% maximum limitation to their ownership of Intel stock and to other limitations designed to assure Intel's independence. This investment is important in that it allows us to continue the investments necessary to be successful over the long term as a supplier of electronic solutions based on semiconductor technology.

1982 was the second difficult year in succession. We feel fortunate our financial strength allows us to continue to invest through such a period. We believe we have the technology and production capacity in place to prosper again in any recovery.

A. S. Grove

Andrew S. Grove
President and Chief Operating Officer

G. E. Moore

Gordon E. Moore
Chairman of the Board
and Chief Executive Officer

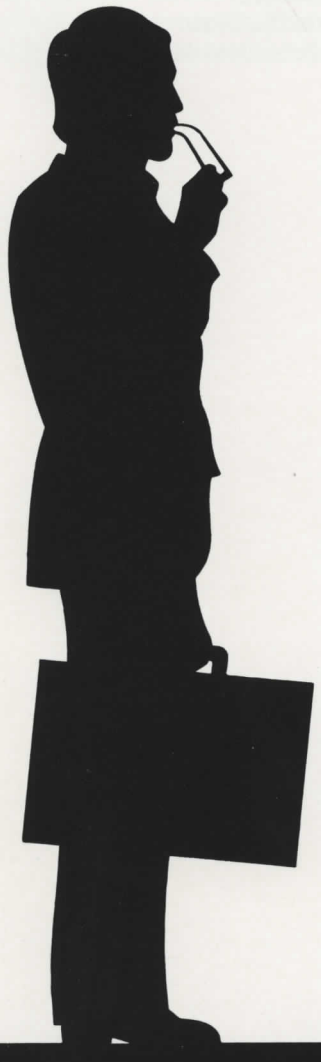


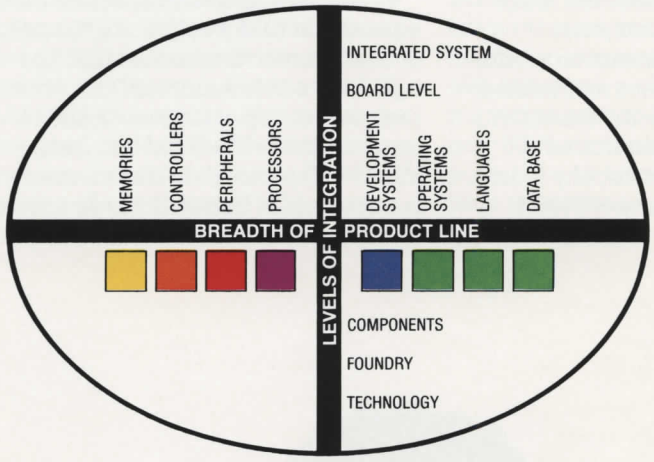
Gordon E. Moore

A Spectrum of New Products

On this page is an ellipse you may find helpful in understanding how the new products described on the following pages fit into Intel's strategy. Intel regards itself as a supplier of what might be called "electronic building blocks" —products our customers can select and integrate into the products they manufacture. These building blocks are shown on the horizontal axis of the ellipse, ranging from memories to data base products. What really makes Intel unique, though, is the vertical "Levels of Integration" axis. Here, to carry the analogy further, we are attempting to show that Intel can sell its building blocks in a variety of forms. For example, in the "Processor" area, one can start at the top and move down to find Intel products at every level of integration. We offer the 86/300 family of integrated systems based on the 8086, several 8086-based single board computers and the 8086 processor itself at the component level. At the foundry level, we fabricate our customers' proprietary processors, and at the technology level, we have made our processor designs available to other companies in several technology exchange agreements. To the customer, this means he can work with Intel at whatever level of integration best suits his needs—and change levels as his needs change.

This flexible approach gives us a different attitude toward the creation of microelectronic systems. A system's potential is typically frozen at the technological point-in-time at which it was manufactured. To take advantage of the rapid changes taking place in microelectronics, the customer must scrap his old system and design another. By contrast, Intel is devoted to the idea that systems should be "open" or capable of providing an easy transition to the next generation of VLSI technology. This is why we offer software compatibility between microprocessor genera-





The above diagram illustrates Intel's product strategy. One axis shows the breadth of our product line, ranging from memories to software; the other axis indicates levels of integration, from technology to complete systems. Intel's aim is to serve customers anywhere in the product line and at any level of integration.

On the following pages a number of products based on Intel components and systems will be shown in their own "environment"; the office, the laboratory and the factory. Each of these environments represents a rapidly growing marketplace for Intel. The end products depicted contain a color bar identifying the Intel products it contains, with colors corresponding to the product-line colors shown in the diagram above. One Intel product is highlighted in each case.

tions, why we offer multiple levels of integration, and why we support industry standardization programs in many areas.

With that as background, the following is a look at a few of the new products added in 1982 across the breadth of our product line.

Memories

In the memory area, Intel began volume production of the 2164A second generation 64K dynamic random access memory (DRAM). The 2164A has been well-received by customers, including IBM, which was licensed to manufacture this component for its own use. By the mid-80's, the 64K DRAM is expected to become the largest selling component in the history of the industry.

Intel introduced the first EPROM (erasable programmable read-only memory) in 1971 and has always been the market leader. We maintained this position in 1982 with the new 27128, the industry's densest EPROM with a storage capacity of 128K bits. This density allows the 27128 to be used in new applications which are expected to increase the total market for high density EPROMs.

By year-end, shipment volume of the 27128 was growing rapidly. In 1983, we expect it to become less expensive on a per-bit basis than our popular 2764 64K EPROM. The 27128 is being used in communications, instrumentation and industrial control products, among others.

A new electrically erasable programmable read-only memory (E^2PROM), the 2817, simplifies system design to help the OEM get his products to market faster with added functionality. The 2817 is very cost-effective because it eliminates many of the support circuits normally required with other E^2PROMs. OEMs are designing E^2PROMS into their products at an increasing rate because they give



One of the most important application areas for microelectronics is here, in the office. The market for microprocessor-based machines is growing very rapidly, as companies turn to the use of these machines to handle today's information-intensive environment.

High-speed PABX telephone systems depend on quick, efficient execution of software commands. Using the 80130 Operating System Processor Extension contributes to the speed and reliability of the system since it is essentially the hardware incarnation of a larger, slower software program.

Almost a word processor, this typewriter has limited memory storage space and can play back a document for editing or copy additions. Intel's 8051 microcontroller is used in this memory typewriter to handle data storage, retrieval and manipulation tasks.

end users such flexibility in configuring systems for changing needs.

Controllers

Three new microcontrollers were introduced in 1982. The 16-bit 8096 integrates over 120,000 transistors, the highest integration achieved so far in a single chip controller. The 8096 has been referred to as the "blue collar" chip because it is designed for high speed control operations in areas such as robotics, CAD/CAM, automotive engine control, and computer peripheral control.

The 80C51 and 80C49 are Intel's first microcontrollers built on our CHMOS (complementary, high-performance, metal-oxide semiconductor) process. Many of our future microcontrollers will be built on CHMOS because this advanced process offers the same performance as HMOS but consumes much less power. This is critical because it will enable us to design increasingly dense circuits without raising power consumption to undesirable levels. Low power levels are also critical in the portable and remote instruments being designed now.

Peripherals

With 60 peripheral controllers now available, Intel continues to have the broadest selection of these special purpose circuits in the industry. Two important additions were announced in 1982: the 8207 and the 82720. The 8207 is a dynamic random access memory (DRAM) controller, which combines both high performance and all DRAM control functions on a single chip. The 8207 minimizes the number of chips needed to implement high speed systems, and can control memory for today's fast microprocessors such as the iAPX 286.

The 82720 Graphics Display Controller enhances both development and execution speed of color graphics applications, making high quality color



This facsimile machine is tied to a local area network with Intel's 82586 Ethernet † controller chip. The 82586 controls access to and from the network and checks for errors.

The 8207 Dynamic RAM Controller makes this word processor and similar microprocessor-based equipment more efficient by handling all the interface details, such as timing, refresh and access arbitration between the central processor and its dynamic RAM memory unit.

graphics affordable for general purpose business systems. It is the first in Intel's family of high-performance CRT controllers.

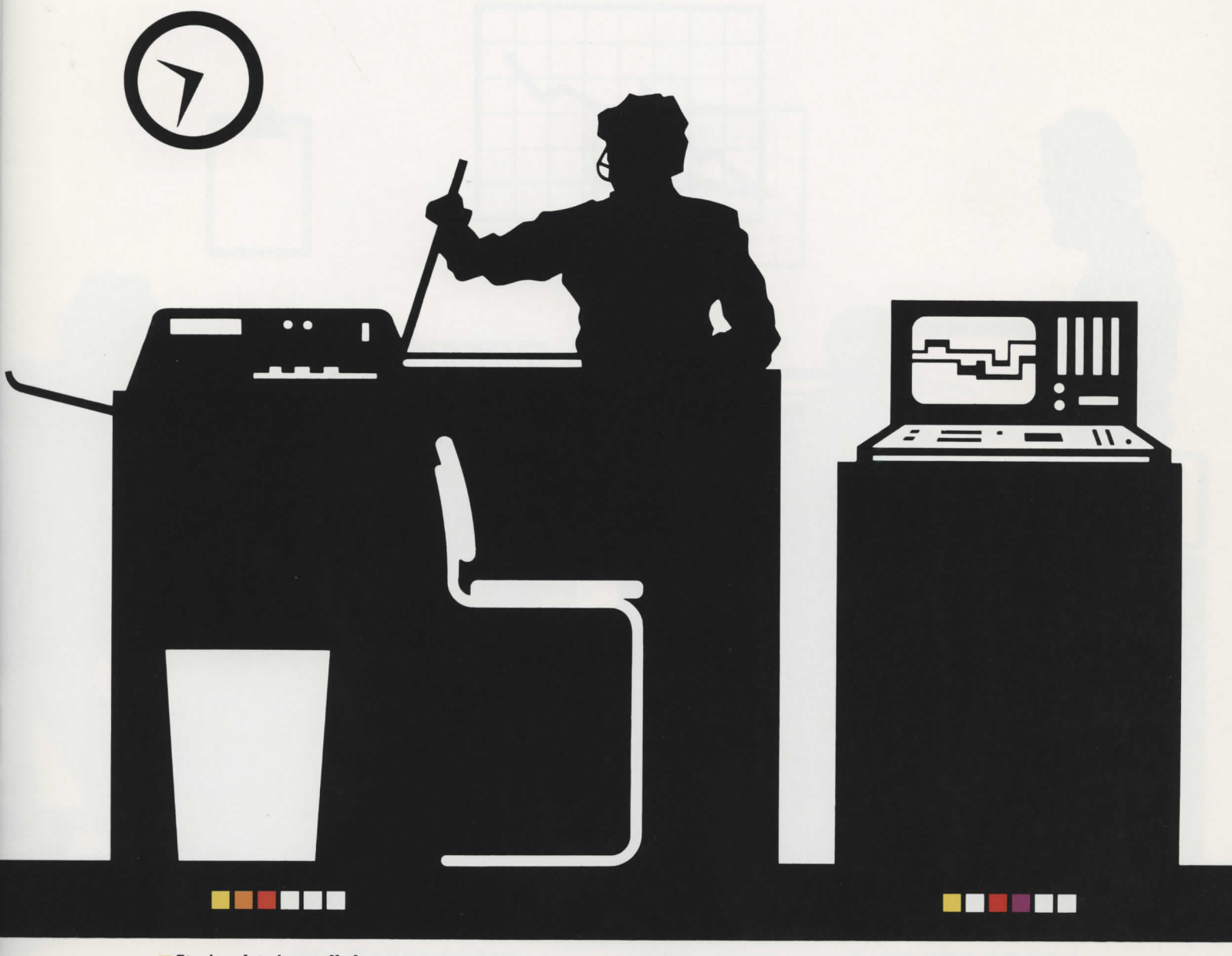
Intel also joined Digital Equipment Corporation, Tektronix and twelve other companies supporting two proposed graphic standards: North American Presentation Level Protocol Syntax (NAPLPS) and the Virtual Device Interface (VDI). NAPLPS is a communications protocol for transmission of graphics information. VDI, by providing standardized access to graphics functions, will improve the portability of software among computer systems and graphics devices. Support of these proposals is part of our commitment to open systems and standardization.

Processors

Intel ushered in the second generation of 16-bit microprocessors in 1982 with the introduction of the iAPX 186 and 286. Both are software-compatible with our industry-leading iAPX 86 and 88 microprocessors. The 286 provides about three times the performance of any other 16-bit processor. It is also the first microprocessor to offer memory management and protection on-chip. It is designed to address multi-user and multi-tasking applications such as business systems, office and industrial automation. Its high speed and large memory capability gives systems designers more flexibility and higher performance in handling large data bases.

The 186 integrates onto one chip a number of the support functions previously implemented in multiple chips. The result is lower system cost, higher reliability and faster operating speeds. The 186 is appropriate for use in cost-sensitive, high volume applications such as computer workstations, word processors and personal computers.

At the system level, Intel also introduced the 86/380 and 86/380X, major additions to the System 86/300 family of integrated microcomputers. The 86/380



Storing data in small, dense 2164A RAMs (random access memories) keeps this "smart" copier down to a compact size for office use and helps to automate many of its feeding, collating and paper-loading functions.

Laboratory applications are a growing market for microelectronics. In this environment they are prized for their ability to provide accurate results and mobile computing power.

Programs in this logic analyzer are stored in Intel's 27128 128-kilobit EPROM. This very dense, erasable memory stores a large application program on one chip.

uses Intel's RMX operating system and is designed for OEMs who create large systems in real-time, machine-directed applications such as laboratory automation, process control and industrial automation. The 86/380X operates under the control of the XENIX* operating system for human-interactive multiuser OEM applications such as engineering and industrial factory data collection environments.

Intel also unveiled a high-level commercial system "building block" for distributed systems applications, the iTPS 86/445. This transaction processing system is tailored for the development, maintenance and execution of interactive commercial applications such as order entry and on-line inquiry. The iTPS can handle multiple users, tasks and processes, allowing systems integrators to use the iTPS to build applications solutions, while significantly reducing both their time and cost-to-market.

Several single-board computers were launched in 1982. At the high end of the 16-bit family, the iSBC 86/30 board offers 192K bytes of on-board memory. This board is being designed into many industrial automation and small business systems.

The new iSBC 88/45 Advanced Data Communications Processor board serves as a communications building block. The ADCP manages many diverse functions such as linking point-of-sale terminals or coordinating robot instrumentation in an assembly line.

The iSBC 589 Intelligent Direct Memory Access Controller is a high-performance data mover for MULTIBUS microcomputers. Using the MULTICHANNEL I/O bus and iSBX MULTIMODULE I/O boards, this product provides a flexible cost-effective interface to high-speed devices such as graphic displays, data acquisition systems, or other computers.

Also unveiled in 1982 were three new products aimed at the speech



■ **Intel's new iPDS Personal Development System offers all the development support an engineer needs to design a product based on one of Intel's 8-bit microprocessors. Small and light, it may be carried to the office, lab or customer locations.**

■ **This spectrophotometer requires intense numerical calculations to measure light wavelengths. A special-purpose coprocessor, the Intel 8087 Numeric Data Processor, relieves the system's 8088 CPU of all numeric processing tasks and thereby enhances the system's speed.**

transaction marketplace. These are Intel's first products for a market that should grow rapidly in the 1980's. Using speech input/output results in improved operator productivity, reduced operator training time and improved data accuracy. To help customers use this new technology, Intel is offering a course entitled "Speech Communication With Computers".

The Speech Transaction Development Set (iSBC 570) is a speech transaction application development tool that allows its users to examine complete speech application examples, generate speech transactions, and evaluate and modify the generated speech transaction. The Speech Transaction Board (iSBC 576) is used for prototype speech applications as well as production shipments. The Speech Transaction Recognition Chip Set (iSBC 577) is used by customers for either high volume production and/or special interface to their application needs.

Development Systems

Intel announced its low cost Personal Development System (iPDS), the industry's first portable development system for 8-bit microprocessor and microcontroller design. The iPDS is a versatile machine that may also be used as an engineer's personal computer or in the field by customer service engineers to diagnose and service microprocessor-based products.

For large development projects, Intel launched the Network Development System II. This system is designed to help integrate and manage microprocessor development projects. NDS-II supports numerous workstations; all can share the data base files from any workstation on the network.

Operating Systems

Another 1982 introduction was the 80150, a CP/M software-in-silicon component. This complete operating system is contained on one chip, which



■ **The NDS-II Network Development System integrates all the development systems in a lab and allows the users to share such resources as debuggers, emulators and high-level language compilers. NDS-II utilizes Ethernet networking and Winchester disk technology.**

■ **A high degree of graphic sophistication is called for in the CAD/CAM (computer aided design and manufacturing) field. Intel's 82720 Graphics Display Controller supplies the logic necessary to support such functions as three-dimensional modeling.**

designers can use for personal computers, intelligent work stations and other similar applications.

Also making its debut was the iMAX 432 operating system, a collection of software components designed to manage the systems resources of the iAPX 432 computer system. This operating system provides support for multi-user, multi-tasking and multi-processing applications.

Languages

Intel launched PSCOPE, a program that raises the debugging process to the efficient high-level language code level. PSCOPE significantly shortens the time needed to develop applications and system programs, because the design and debugging of software can be carried out in a common language environment.

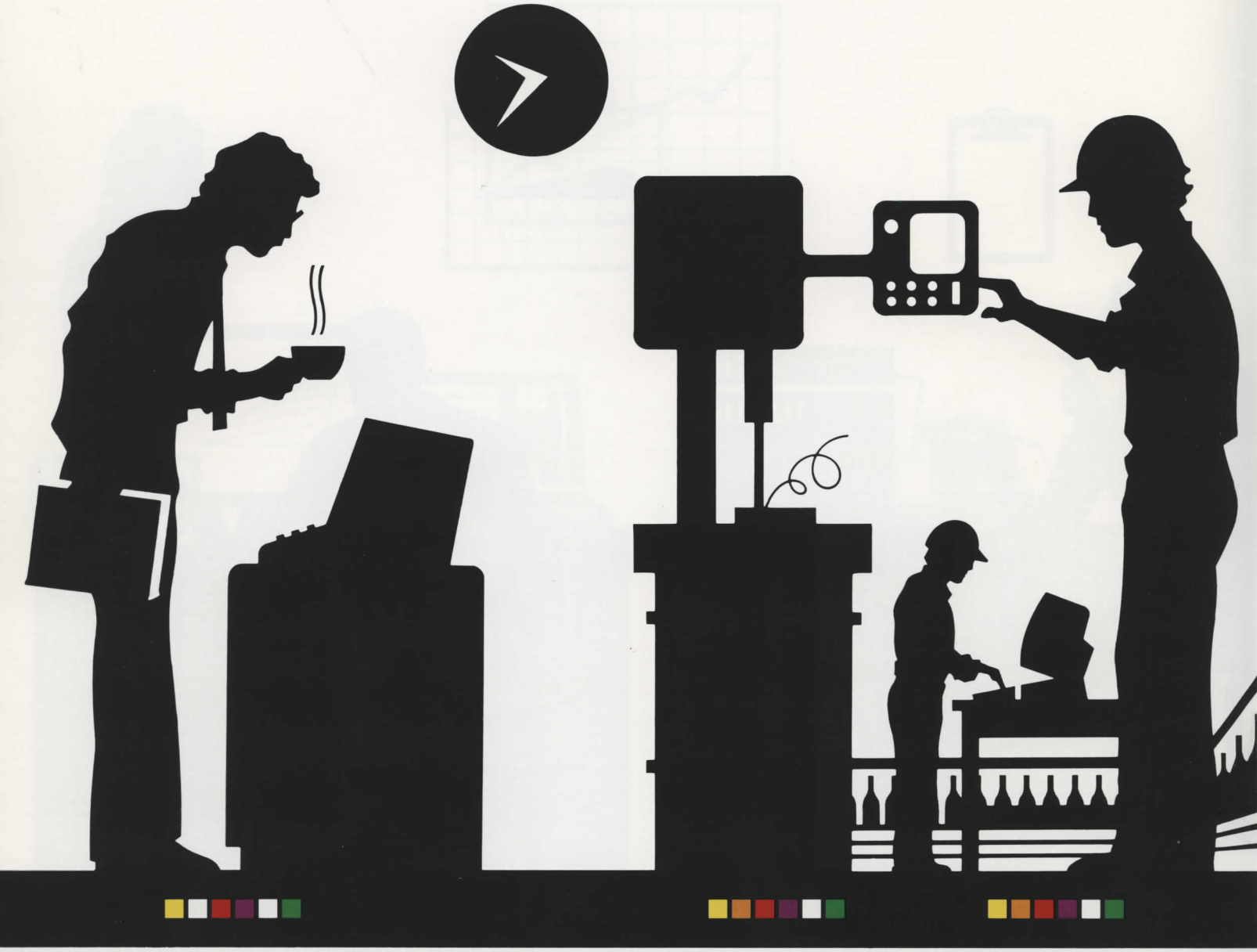
Intel delivered full systems programming support in the form of an assembler and PL/M for the iAPX 286 processor.

PL/M was also introduced for the 8051 processor; PL/M-51 is optimized for use within the unique constraints of the microcontroller world. Users of the 8051 can now exploit the full features of the processor without having to sacrifice software productivity.

Intel also unveiled Ada 432, a high-level language compiler for iAPX 432-based computer systems. Ada 432 provides users with a language to develop application programs cost-effectively for the 432.

Data Base

The new Intel Data Base Processor, iDBP 86/440, handles data base management chores. The iDBP incorporates data-handling features and functions previously found only on mainframe computers. This data base machine has an electronic file system that can interconnect different users and provide an intelligent file capability



Mass memory storage can be used more efficiently by one or more host computers when an Intel iDBP Data Base Processor manages the input, output and filing tasks.

Automating the factory is a challenge that faces American industry over the next decade and microelectronics will make a significant contribution to this effort. Microprocessor-based systems are already in wide use in process control and robotics applications.

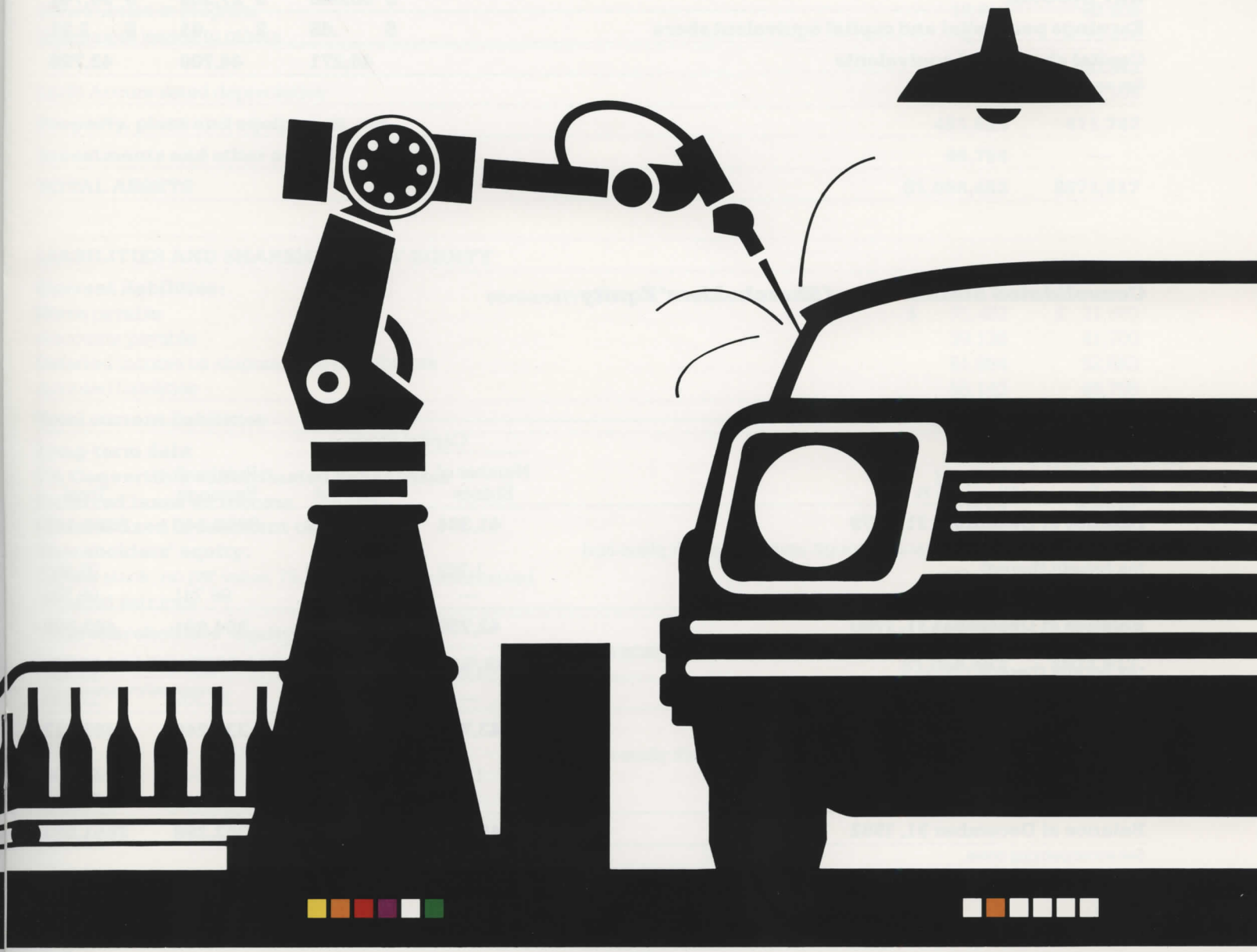
The 16-bit iSBC 86/14 single board computer controls this milling machine's operation. Industrial machine designers often prefer using board level building blocks rather than doing their own component level designs.

Magnetic bubble memory components, such as the 7110 one-million-bit bubble, are favored by designers for factory applications like this process control system, because they have a high tolerance to dirt, vibration and temperature extremes.

for all types of applications. The iDBP provides easy access to collections of various types of data and serves as a building block for office automation, electronic mail and electronic file systems.

Intel also introduced the iDIS Database Information System, a fully integrated microcomputer system that features sophisticated data communications capability with host mainframe computers. The iDIS is designed to provide user-friendly local processing tools and data base management capabilities while allowing easy access to the central data processing resource.

† Ethernet is a trademark of Xerox Corporation.
** XENIX is a trademark of Microsoft, Inc.*



■ **Robotics is an emerging application area where Intel's iAPX 86 microprocessor family has a commanding lead. Factory robots like the one in this illustration use microprocessors to determine movement and control speed/pressure functions.**

■ **Microcomputers are being used more and more in automobile applications. Intel's 8048 single-chip microcomputer is used by many automobile manufacturers to monitor and control engine functions for greater fuel economy and emission control.**

Consolidated Statements of Income (Thousands—except per share amounts)

Three Years ended December 31, 1982	1982	1981	1980
NET REVENUES	**$899,812**	**$788,676**	**$854,561**
Cost of sales	541,928	458,308	399,438
Research and development	130,801	116,496	96,426
Marketing, general and administrative	198,640	184,293	175,577
Operating costs and expenses	871,369	759,097	671,441
Income before interest and other and taxes on income	28,443	29,579	183,120
Interest and other	(1,903)	(10,655)	(2,209)
Income before taxes on income	**30,346**	**40,234**	**185,329**
Taxes on income	300	12,875	88,588
NET INCOME	**$ 30,046**	**$ 27,359**	**$ 96,741**
Earnings per capital and capital equivalent share	**$.65**	**$.61**	**$ 2.21**
Capital shares and equivalents	**46,271**	**44,700**	**43,720**

See accompanying notes.

Consolidated Statements of Shareholders' Equity (Thousands)

	Capital Stock			
Three Years ended December 31, 1982	Number of Shares	Amount	Retained Earnings	Total
Balance at December 31, 1979	**41,384**	**$ 95,049**	**$208,140**	**$303,189**
Proceeds from sales of shares through employee stock plans and tax benefit thereof	1,352	32,930	—	32,930
Net income	—	—	96,741	96,741
Balance at December 31, 1980	**42,736**	**127,979**	**304,881**	**432,860**
Proceeds from sales of shares through employee stock plans and tax benefit thereof	1,030	27,598	—	27,598
Net income	—	—	27,359	27,359
Balance at December 31, 1981	**43,766**	**155,577**	**332,240**	**487,817**
Proceeds from sales of shares through employee stock plans and tax benefit thereof	1,596	33,990	—	33,990
Net income	—	—	30,046	30,046
Balance at December 31, 1982	**45,362**	**$189,567**	**$362,286**	**$551,853**

See accompanying notes.

December 31, 1982 and 1981	1982	1981
ASSETS		
Current assets:		
Cash and short-term investments at cost, which approximates market	$ 85,332	$ 115,260
Accounts receivable, net of allowance for doubtful accounts of $3,867 ($3,878 in 1981)	221,216	179,604
Inventories	121,747	97,452
Prepaid taxes on income and other assets	99,738	67,454
Total current assets	**528,033**	**459,770**
Property, plant and equipment:		
Land and buildings	322,836	215,519
Machinery and equipment	350,888	279,676
Construction in progress	18,810	80,269
Equipment leased to others	4,703	15,478
	697,237	590,942
LESS Accumulated depreciation	235,612	179,195
Property, plant and equipment, net	**461,625**	**411,747**
Investments and other assets	**66,794**	**—**
TOTAL ASSETS	**$1,056,452**	**$871,517**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 75,482	$ 31,889
Accounts payable	39,138	41,700
Deferred income on shipments to distributors	51,984	52,683
Accrued liabilities	56,143	45,705
Total current liabilities	**222,747**	**171,977**
Long-term debt	**47,143**	**—**
7% Convertible subordinated debentures	**150,000**	**150,000**
Deferred taxes on income	**67,744**	**44,019**
Unamortized investment tax credits	**16,965**	**17,704**
Shareholders' equity:		
Capital stock, no par value, 75,000,000 shares authorized	189,567	155,577
Retained earnings	362,286	332,240
Total shareholders' equity	**551,853**	**487,817**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$1,056,452**	**$871,517**

See accompanying notes.

Consolidated Statements of Changes in Financial Position (Thousands)

Three Years ended December 31, 1982	1982	1981	1980
Working capital provided by operations:			
Net income	$ 30,046	$ 27,359	$ 96,741
Charges to income not involving the current use of working capital:			
Depreciation and net retirements	82,538	66,238	52,838
Non-current portion of deferred taxes on income and deferred investment tax credits	22,986	24,686	8,027
	135,570	118,283	157,606
Working capital provided by additions to long-term debt	47,143	—	—
Working capital provided by proceeds from issuance of convertible subordinated debentures	—	—	150,000
Working capital provided by proceeds from sales of shares through employee stock plans and tax benefits thereof	33,990	27,598	32,930
	216,703	145,881	340,536
Working capital used for additions to property, plant and equipment	(138,085)	(157,426)	(156,006)
Working capital used for investments and other assets, net	(61,125)	—	—
Increase (decrease) in working capital	**$ 17,493**	**$ (11,545)**	**$184,530**
Increase (decrease) in working capital by component:			
Cash and short-term investments	$ (29,928)	$ (12,421)	$ 93,530
Accounts receivable	41,612	(16,040)	56,467
Inventories	24,295	6,051	12,668
Prepaid taxes on income and other assets	32,284	35,571	1,242
Notes payable	(43,593)	(20,045)	7,280
Accounts payable	2,562	(11,350)	(378)
Deferred income on shipments to distributors	699	(6,650)	(4,389)
Accrued liabilities	(10,438)	(5,803)	(5,797)
Profit sharing retirement plan accrual	—	15,250	(7,150)
Income taxes payable	—	3,892	31,057
Increase (decrease) in working capital	**17,493**	**(11,545)**	**184,530**
Working capital at beginning of year	287,793	299,338	114,808
Working capital at end of year	**$305,286**	**$ 287,793**	**$299,338**

(Certain 1981 and 1980 amounts have been reclassified to conform to the 1982 presentation).
See accompanying notes.

ACCOUNTING POLICIES

Basis of Presentation The consolidated financial statements include the accounts of Intel Corporation and all of its subsidiaries. Accounts denominated in foreign currencies have been translated in accordance with FASB Statement No. 8. The Company intends to translate foreign currencies in accordance with FASB Statement No. 52 effective January 1, 1983. If the Company had adopted FASB Statement No. 52 in 1982, the effect on the 1982 financial statements would have been immaterial.

Inventories Inventories are stated at the lower of cost or market. Cost is on a first-in, first-out basis for materials and purchased parts and is computed on a currently adjusted standard basis (which approximates average or first-in, first-out cost) for work in process and finished goods. Market is based upon estimated realizable value reduced by normal gross margin. Inventories at December 31 are as follows:

	1982	1981
	(Thousands)	
Materials and purchased parts	$ 36,928	$33,744
Work in process	54,937	37,535
Finished goods	29,882	26,173
Total	$121,747	$97,452

Property, Plant and Equipment Property, plant and equipment are stated at cost. Depreciation is computed for financial reporting purposes principally by use of the straight-line method over the estimated useful lives of the assets. Accelerated methods of computing depreciation are used for tax purposes.

Deferred Income on Shipments to Distributors Certain of Intel's sales are made to distributors under agreements allowing price protection and right of return on merchandise unsold by the distributors. Because of frequent sales price reductions and rapid technological obsolescence in the industry, Intel defers recognition of such sales until the merchandise is sold by the distributors.

Investment Tax Credits Investment tax credits are accounted for using the deferral method whereby credits are treated as a reduction of the U.S. federal tax provision ratably over the useful lives of the related assets.

Earnings Per Capital and Capital Equivalent Share Earnings per share are computed using the weighted average number of outstanding capital shares and capital equivalent shares. Capital equivalent shares include shares issuable under employee stock option plans as determined by the treasury stock method. Capital equivalent shares relating to Intel's 7% convertible subordinated debentures have not been included because they are antidilutive when considering interest on the debentures.

On December 22, 1982 an agreement was reached to sell 6,250,000 shares of previously authorized but unissued capital stock to IBM Corporation. Because this agreement is subject to U.S. Government approval, it has not been reflected in the 1982 capital stock account or earnings per share calculations.

BORROWINGS

Intel's borrowings are comprised of notes payable, long-term debt, and 7% convertible subordinated debentures. Notes payable have been issued under established foreign and domestic lines of credit which approximate $200,000,000 at December 31, 1982. These lines are generally renegotiated on an annual basis. The weighted average interest rate on borrowings outstanding under these lines at December 31, 1982 approximated 10.3%. Intel complies with compensating balance requirements related to certain of these lines of credit; however, such requirements are immaterial and do not legally restrict the use of cash.

In March 1982 Intel signed certain Agreements with underwriters and a Puerto Rico Financing Authority in connection with the issuance of $40,000,000 of 9.5% Industrial Revenue Bonds by the Authority. The Bonds are due on March 1, 1987, are subject to prior redemption upon the occurrence of certain events, and repayment of principal and interest on the Bonds has been guaranteed by the Company. Proceeds from the sale of these Bonds have been loaned to Intel by the Authority and will be used by Intel to finance a portion of the cost of the acquisition, construction and installation of facilities for the manufacture of semiconductor components and computer systems in Puerto Rico. The Company's repayment obligations to the Authority are on the same terms as those of the underlying Bonds. At December 31, 1982 approximately $28.8 million of these funds were unexpended and, therefore, restricted by these Agreements to qualifying investments, included with investments and other assets in the accompanying financial statements.

The remaining long-term debt represents low-interest borrowings in conjunction with foreign construction.

The debentures were issued in August 1980, are due in August 2005, and are subject to annual sinking fund requirements of $5,400,000 commencing in August 1991. These debentures may be converted into shares of Intel capital stock at a conversion price of $60.50 principal amount for each share of capital stock. Intel may redeem all or any part of the debentures at any time, subject to a premium through August 1999. Such premium is 6.3% as of December 31, 1982, and declines by .35% annually. Approximately 2,480,000 shares of capital stock are reserved for issuance under terms of the debenture agreement.

INTEREST AND OTHER

	1982	1981	1980
	(Thousands)		
Interest expense	$ 16,136	$ 12,129	$ 6,784
Interest income	(17,666)	(21,119)	(9,280)
Foreign currency (gains) losses	(373)	(1,665)	287
Total	$ (1,903)	$(10,655)	$(2,209)

Interest expense for 1982, 1981, and 1980 excludes $1,210,000, $3,000,000, and $750,000, respectively, which was capitalized as a component of construction costs.

INVESTMENTS AND OTHER ASSETS

Investments and other assets at December 31, 1982 consist of investments at cost, which approximates market value, in certificates of deposit and U.S. Government securities with maturities greater than one year (see Borrowings), investments accounted for under the equity method, and the long-term portion of installment lease receivables.

TAXES ON INCOME

Taxes on income are comprised of the following:

	U.S.	Foreign	Total
		(Thousands)	
1982			
Pretax income	$ 3,494	$26,852	$ 30,346
State income taxes	$ 1,821	$ —	$ 1,821
U.S. federal income taxes	(11,816)	—	(11,816)
Foreign income taxes	—	10,295	10,295
Taxes on income	$ (9,995)	$10,295	$ 300
Effective tax rate	—	38.3%	1.0%
1981			
Pretax income	$ 14,749	$25,485	$ 40,234
State income taxes	$ 2,334	$ —	$ 2,334
U.S. federal income taxes	(1,918)	—	(1,918)
Foreign income taxes	—	12,459	12,459
Taxes on income	$ 416	$12,459	$ 12,875
Effective tax rate	2.8%	48.9%	32.0%
1980			
Pretax income	$153,221	$32,108	$185,329
State income taxes	$ 12,309	$ —	$ 12,309
U.S. federal income taxes	60,449	—	60,449
Foreign income taxes	—	15,830	15,830
Taxes on income	$ 72,758	$15,830	$ 88,588
Effective tax rate	47.5%	49.3%	47.8%

U.S. Federal income taxes differ from the statutory rate of 46% principally as a result of investment tax credits of $7,244,000, $6,800,000, and $3,900,00 in 1982, 1981, and 1980, respectively, and research and development tax credits of $6,253,000 and $1,400,000 in 1982 and 1981, respectively.

Prepaid income taxes result primarily from inventory valuation adjustments not currently deductible and from the financial deferral of income on sales to distributors. Deferred income taxes result from currently providing estimated U.S. income taxes on the earnings of Intel's Domestic International Sales Corporation (DISC) subsidiaries and its foreign subsidiaries to the extent that such amounts are not deemed to be permanently invested. Additionally the deferral method of accounting for investment tax credits results in such credits being utilized to reduce taxes payable prior to the time that they are recognized as a reduction of the provision for taxes on income.

Income taxes payable/(receivable) are also reduced/(increased) and capital stock increased as a result of tax deductions arising from stock plan transactions.

Following is a summary of estimated income taxes currently payable (receivable):

	1982	1981	1980
		(Thousands)	
Taxes on income	$ 300	$12,875	$ 88,588
Prepaid (deferred) items:			
Inventory valuation adjustments	470	8,994	—
Distributor sales and other reserves	(908)	(1,243)	2,321
DISC and other undistributed earnings	(8,019)	(2,971)	(6,202)
Deferred ITC	739	(3,933)	(3,627)
Depreciation	(5,971)	(9,333)	(1,066)
State and local tax accruals	(766)	(2,235)	(328)
Other, net	(3,326)	1,808	(394)
Net	(17,781)	(8,913)	(9,296)
Current taxes on income	(17,481)	3,962	79,292
Benefit from stock plan transactions	(7,001)	(7,539)	(13,643)
Estimated taxes currently payable (receivable)	$ (24,482)	$ (3,577)	$ 65,649
Prepaid (deferred) items:			
U.S. Federal	$ (12,913)	$ (5,187)	$ (10,406)
State	(1,091)	(683)	385
Foreign	(3,777)	(3,043)	725
	$ (17,781)	$ (8,913)	$ (9,296)

Total taxes receivable of approximately $43 million at December 31, 1982 are included in prepaid taxes on income and other assets.

Intel's U.S. income tax returns for the years 1978 through 1981 are presently under examination by the Internal Revenue Service. Management believes that adequate amounts of tax have been provided for any adjustments which may result.

EMPLOYEE BENEFIT PLANS

Stock Option Plans Intel has stock option plans under which officers and key employees may be granted options to purchase shares of Intel's authorized but unissued capital stock at not less than 85% of the fair market value at date of grant. The existing non-qualified stock option plans were amended during 1981 in accordance with provisions of the Economic Recovery Tax Act of 1981 to provide employees with incentive stock options. In conjunction with these amendments, employees were offered the opportunity to cancel non-qualified options received subsequent to December 31, 1975, and receive new incentive options for the same number of shares. With this cancellation and reissue, management changed the exercise price of options which were outstanding at exercise prices significantly higher than the then current market price. This change in exercise price was made because management believed that the higher priced options were no longer a motivating factor for key employees and officers. Under existing incentive stock option plans, employees are granted options at fair market value at date of grant.

Options expire no later than ten years from date of grant. No material charges have been made to income in accounting for options. Proceeds and income tax benefits realized by Intel as a result of transactions in these plans are credited to capital stock. Additional information with respect to employee stock options is as follows:

	Shares Available For Options	Outstanding Options	
		Number of Shares	Aggregate Price
		(Thousands)	
December 31, 1979	5,184	5,376	$ 82,176
Options granted	(1,165)	1,165	45,478
Options exercised	—	(1,026)	(11,189)
Options cancelled	398	(398)	(7,693)
December 31, 1980	4,417	5,117	$108,772
Options granted	(4,962)	4,962	88,590
Options exercised	—	(586)	(6,831)
Options cancelled	3,943	(3,943)	(82,412)
December 31, 1981	3,398	5,550	$108,119
Options granted	(1,045)	1,045	28,116
Options exercised	—	(1,067)	(14,585)
Options cancelled	423	(423)	(14,040)
December 31, 1982	2,776	5,105	$107,610
Options exercisable at			
December 31, 1980		1,730	$ 19,809
1981		620	$ 9,532
1982		2,020	$ 33,094

The average exercise price for options outstanding at December 31, 1982 was $21.08 while the range of individual exercise prices was $3.91 to $46.75. Individual options outstanding at that date will expire if not exercised at specific dates ranging from January 1983 to December 1992. The range of exercise prices for options exercised during the three year period ended December 31, 1982 was $1.00 to $35.25.

Intel also has a separate stock compensation plan for key employees of one of its subsidiaries whereby these employees may acquire common stock of the subsidiary; however, Intel is entitled to reacquire this common stock in exchange for an estimated 150,000 shares of Intel capital stock which are reserved at December 31, 1982. During 1982, 1981, and 1980, approximately $360,000, $300,000 and $750,000, respectively was charged to income under this plan.

Stock Participation Plan Under this plan, qualified employees are entitled to purchase shares of Intel's capital stock at 85% of the fair market value at certain specified dates. Of the 4,000,000 shares authorized to be issued under this plan, as amended, 1,937,000 shares are available for issuance at December 31, 1982. Employees purchased 569,000 shares in 1982, (444,000 and 326,000 in 1981 and 1980, respectively) for $12,301,000 ($13,228,000, and $8,098,000 in 1981 and 1980, respectively).

Profit Sharing Retirement Plan Effective July 1, 1979, Intel adopted a profit sharing retirement plan for the benefit of qualified employees. The plan is designed to provide employees with an accumulation of funds at retirement and provides for annual contributions to trust funds based on a formula which considers annual return on both equity and revenues. Under this formula no contribution was accrued for 1982 or 1981. The amount charged against pre-tax profits for 1980 was approximately $15,000,000.

Employee annual entitlements vest five years after each plan year or upon retirement and are based upon accumulated fund assets. It is Management's intention to fund annual contributions on a current basis.

COMMITMENTS

Intel leases a portion of its capital equipment and certain of its facilities under leases which expire at various dates through 2001. Rental expense was $18,700,000 in 1982, $16,500,000 in 1981, and $11,007,000 in 1980. Minimum rental commitments under all noncancelable leases with an initial term in excess of one year are payable as follows: 1983—$11,400,000; 1984—$7,500,000; 1985—$5,000,000; 1986—$3,900,000; 1987—$3,100,000; 1988 and beyond $1,300,000.

Commitments for construction or purchase of property, plant, and equipment approximate $42 million at December 31, 1982. In addition to these commitments, under terms of agreements made with government agencies of a foreign country, Intel is committed at December 31, 1982 to invest $65 million on the construction of manufacturing facilities within that country. Financial inducements provided to Intel in connection with these agreements include a combination of grants and low interest loans to fund a major portion of this construction. The agreements provide that all phases of the project be completed by 1985, loans be secured by the facilities and amounts borrowed be repaid in quarterly installments ending in 1993.

SUPPLEMENTAL INFORMATION (unaudited)

Quarterly Information Quarterly information for each of the two years in the period ended December 31, 1982 is presented on page 19.

Inflation Adjusted Information A financial summary which has been adjusted for changing prices to reflect the effects of inflation is presented on page 22.

INDUSTRY SEGMENT REPORTING

Intel and its subsidiaries operate in one dominant industry segment and are engaged principally in the design, development, manufacture, and sale of semiconductor components and systems incorporating these components. In 1982 and 1981 approximately 13.5% and 13%, respectively, of Intel's revenues were derived from sales to one significant customer.

Operations outside the United States include assembly and test facilities which are maintained in Barbados, Malaysia, and Philippines, and sales subsidiaries throughout Europe and other parts of the world. Summary balance sheet information for operations outside of the United States at December 31 is as follows:

	1982	1981
	(Thousands)	
Current assets	$137,702	$111,969
Current liabilities	74,386	58,333
Net property, plant and equipment	79,380	63,080

Geographic information for the three years ended December 31, 1982 is as follows:

NET REVENUES

	Products Sold Within			
	U.S.	Europe	Other	Total
	(Thousands)			
1982 Net revenues of:				
U.S. operations	$575,855	$ 62,453	$13,266	$651,574
European operations	—	161,807	—	161,807
Other operations	—	—	86,431	86,431
1982 Net revenues	$575,855	$224,260	$99,697	$899,812
1981 Net revenues of:				
U.S. operations	$511,199	$ 73,285	$13,425	$597,909
European operations	—	132,708	—	132,708
Other operations	—	—	58,059	58,059
1981 Net revenues	$511,199	$205,993	$71,484	$788,676
1980 Net revenues of:				
U.S. operations	$515,474	$ 94,174	$11,892	$621,540
European operations	—	185,369	—	185,369
Other operations	—	—	47,652	47,652
1980 Net revenues	$515,474	$279,543	$59,544	$854,561

Transfers between geographic areas are accounted for at amounts which are generally above cost and consistent with rules and regulations of governing tax authorities. Such transfers, which are eliminated in the consolidated financial statements, are as follows:

	1982	1981	1980
		(Thousands)	
U.S.	$ 163,158	$122,640	$140,175
Europe	—	—	$ 5,528
Other	$ 51,979	$ 39,630	$ 30,051

OPERATING INCOME

	1982	1981	1980
		(Thousands)	
Operating income allocable to:			
U.S.	$ 57,960	$ 30,162	$169,889
Europe	15,997	14,901	29,604
Other	3,269	6,443	6,008
Unallocated	(48,783)	(21,927)	(22,381)
	$ 28,443	$ 29,579	$183,120

Operating income is net revenues less operating expenses, and does not include an allocation of general corporate expenses and interest and other.

IDENTIFIABLE ASSETS

	1982	1981	1980
		(Thousands)	
Identifiable assets of:			
U.S.	$ 752,758	$571,065	$498,315
Europe	80,680	87,391	69,115
Other	136,402	87,658	62,197
General assets, net	86,612	125,403	137,541
Total assets	$1,056,452	$871,517	$767,168

General assets are principally cash, short-term investments and prepaid taxes on income.

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Shareholders
Intel Corporation

We have examined the accompanying consolidated balance sheets of Intel Corporation at December 31, 1982 and 1981, and the related consolidated statements of income, shareholders' equity and changes in financial position for each of the three years in the period ended December 31, 1982. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Intel Corporation at December 31, 1982 and 1981, and the consolidated results of operations and changes in financial position for each of the three years in the period ended December 31, 1982, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Arthur Young & Company

San Jose, California
January 12, 1983

FINANCIAL INFORMATION BY QUARTER (unaudited)

(Thousands - except per share data)

	Quarter Ended			
1982	Dec. 31	Sept. 30	Jun. 30	Mar. 31
Net revenues	$239,368	$236,897	$216,437	$207,110
Cost of sales	152,935	145,555	124,497	118,941
Research and development	33,602	33,260	32,571	31,368
Marketing, general and administrative	49,964	50,558	48,598	49,520
Interest and other	356	(884)	(589)	(786)
Taxes on income	(5,528)[B]	—	3,166	2,662
Net income	$ 8,039	$ 8,408	$ 8,194	$ 5,405
Earnings per capital and capital equivalent share	$.17	$.18	$.18	$.12
Market price range (A) High	$ 41.13	$ 39.75	$ 34.38	$ 28.88
Low	$ 32.88	$ 26.63	$ 28.50	$ 20.88
1981				
Net revenues	$199,618	$203,238	$201,201	$184,619
Cost of sales	113,126	119,063	113,290	112,829
Research and development	32,010	29,732	28,312	26,442
Marketing, general and administrative	50,412	45,088	44,769	44,024
Interest and other	(2,644)	(2,257)	(3,152)	(2,602)
Taxes on income	2,149	648	8,272	1,806
Net Income	$ 4,565	$ 10,964	$ 9,710	$ 2,120
Earnings per capital and capital equivalent share	$.10	$.25	$.22	$.05
Market price range (A) High	$ 29.63	$ 36.13	$ 41.75	$ 41.75
Low	$ 22.63	$ 22.88	$ 34.88	$ 32.75

(A) Intel's capital stock and convertible subordinated debentures are traded in the over-the-counter market and are quoted on NASDAQ and in the Wall Street Journal and other newspapers. At December 31, 1982 there were approximately 16,500 holders of capital stock and 600 holders of convertible subordinated debentures. Intel has never paid cash dividends and has no present plans to do so.

(B) The provision for income taxes for the fourth quarter of 1982 has been reduced due to a change in the estimate of the effective annual income tax rate.

Ten years ended December 31, 1982

	At December 31				Year Ended December 31		
					Working Capital Provided by:		
	Net Investment In Plant & Equip.	Total Assets	Long Term Debt	Shareholders' Equity	Operations	Employee Stock Plans	Working Capital Used for Additions To Plant & Equip.
1982	$461,625	$1,056,452	$197,143	$551,853	$135,570	$33,990	$138,085
1981	411,747	871,517	150,000	487,817	118,283	27,598	157,426
1980	320,559	767,168	150,000	432,860	157,606	32,930	156,006
1979	217,391	500,093	—	303,189	124,961	19,869	96,681
1978	160,140	356,565	—	205,062	78,025	12,025	104,157
1977	80,117	221,246	—	148,942	49,777	7,766	44,881
1976	51,069	156,568	—	109,460	38,018	10,073	32,073
1975	28,474	102,719	—	74,173	24,232	7,100	11,169
1974	22,186	75,410	—	50,799	25,515	3,135	12,783
1973	13,015	50,567	—	27,888	12,402	1,278	9,113

	Year Ended December 31					
	Net Revenues	Cost of Sales	Research & Development	Other Costs & Expenses, Net	Net Income	
					Total	Per Share
1982	$899,812	$541,928	$130,801	$197,037	$30,046	$.65
1981	788,676	458,308	116,496	186,513	27,359	.61
1980	854,561	399,438	96,426	261,956	96,741	2.21
1979	660,984	313,106	66,735	203,339	77,804	1.85
1978	399,390	196,376	41,360	117,340	44,314	1.08
1977	282,549	143,979	27,921	78,933	31,716	.80
1976	225,979	117,193	20,709	62,863	25,214	.63
1975	136,788	67,649	14,541	38,324	16,274	.42
1974	134,456	67,909	10,500	36,271	19,776	.53
1973	66,170	35,109	4,565	17,282	9,214	.25

Results of Operations Revenues of $900 million in 1982 represented an increase of 14% over 1981 and 5% over the previous record level achieved in 1980. This increase reflects continued strong growth in total units, partially offset by the accelerating declining trend in unit prices that has characterized the industry since mid-1980. Pressure on prices is attributable to excess manufacturing capacity throughout the industry due to high capital investment activity in recent years as well as the effects of the economic recession in both the U.S. and foreign markets.

Gross profit margins declined to 40% in 1982, from 42% in 1981 and 53% in 1980, as decreasing unit costs did not fully cover decreases in unit prices. Manufacturing capacity, as measured in terms of employment and fixed assets, increased in 1982 in anticipation of improved economic conditions. This improvement did not occur and, therefore, this increase in manufacturing capacity also burdened unit costs.

New product introductions continued to be strong in 1982 as a result of heavy research and development expenditures in recent years. This spending rose 12% in 1982, in line with the increase in revenues. Over 40% of revenues in the fourth quarter of 1982 were derived from products introduced in 1981 and 1982.

A number of exchanges of product technology occurred in 1982. The Company granted licenses for second sources for Intel products in exchange for cash and access to products not currently in the Intel line.

Aggressive expense control and productivity measures were taken throughout the year to increase profitability, including stringent payroll actions that have taken effect as of January 1983.

Net interest income declined $8.8 million, primarily due to lower levels of invested net cash and reduced interest rates.

The effective tax rate of 1% in 1982 showed a dramatic decline from 32% in 1981 and 47.8% in 1980. This is primarily due to the impact of the relatively high proportion of tax credits available in 1982 in relation to reduced pretax income.

Financial Condition Intel's balance sheet has grown over the last 10 years from $50 million to over $1 billion in assets as the Company continues to invest heavily in capital equipment and working capital to support future growth. Operations provided approximately half of the Company's 1982 cash needs. The remaining funds were provided by cash available from prior years, sales of common stock through employee stock plans, and short-term borrowings under existing lines of credit.

The Company recognizes a need to maintain the high levels of investment in capital equipment, working capital, and research and development in order to sustain its long-term growth and is committed to invest in capital equipment at levels consistent with prior years. The Company also wants to maintain the liquidity and flexibility of available lines of credit. Therefore, although the Company has funds available under unused lines of credit, additional sources of funds were desirable to fund the Company's anticipated long term growth.

The Company's liquidity position was enhanced in March 1982 by funds provided from a $40,000,000 tax-exempt Industrial Revenue Bond offering by an agency of the Puerto Rico Government. The Company intends to invest these funds over the next several years in capital equipment and inventories to support the manufacturing effort in Puerto Rico.

In December 1982 the Company reached an agreement, subject to U.S. Government approval, to sell 6,250,000 shares of capital stock to IBM for $250,000,000. The Company expects to receive these funds in early 1983. The funds from this offering will give the Company the financial strength necessary to continue with capital equipment and research and development projects to maintain its technological leadership and growth over the coming years.

See the following pages for financial summaries and discussion of the impacts of inflation and changing prices.

Statement of Income Adjusted for Changing Prices (Millions-except per share amounts)

For the Year ended December 31, 1982 (unaudited)

	As Reported in the Primary Statements	Adjusted for General Inflation (Constant Dollar)	Adjusted for Changes in Specific Prices (Current Costs)
NET REVENUES	$899.8	$899.8	$899.8
Cost of sales	541.9	549.8	548.0
Research and development	130.8	132.0	131.7
Marketing, general and administrative	198.7	199.3	199.1
Interest and other	(1.9)	(1.9)	(1.9)
Taxes on income	.3	.4	.3
NET INCOME	$ 30.0	$ 20.2	$ 22.6
Earnings per capital and capital equivalent share	$.65	$.44	$.49
Purchasing power loss on net monetary items held during the year (A)		$ 2.9	$ 2.9
Depreciation included in costs and expenses above	$ 68.7	$ 79.1	$ 76.2
Amount of inventory and property, plant and equipment at December 31			$643.7
Increase in specific prices of inventories and property, plant and equipment (net) held during the year			$ 36.4
Effect of increase in general price level			$ 40.4
Excess of increase in general price level over increase in specific prices ($10.8, $10.7, and $11.2, for 1981, 1980, and 1979, respectively)			$ 4.0

(A) For 1981, 1980, and 1979 there were purchasing power losses of $7.1, $4.1, and $2.4, respectively, on net monetary items.

Five Year Comparison of Selected Financial Data Adjusted for Changing Prices

	Net Revenues in Millions of 1982 Constant Dollars	Market Price Per Common Share at Year End in Constant 1982 Dollars	Average Annual Consumer Price Index-Urban (CPI-U)
1982	$ 899.8	$37.54	289.5*
1981	838.2	23.24	272.4
1980	1,002.3	45.10	246.8
1979	880.5	42.50	217.4
1978	593.6	21.99	195.4

*Estimated

The statements of selected financial data adjusted for changing prices are presented in accordance with the requirements of FASB Statement No. 33. Two types of information, constant dollar and current cost, are presented as a supplement to the traditional financial statements. The constant dollar information is a general restatement of traditional data to monetary units having the same general purchasing power. The current cost information is a restatement of selected traditional data to reflect the effects of changes in the relative prices of specific items. The following explanatory comments are provided to assist in understanding the summary.

Constant Dollar Information—Inflation causes dollars earned and spent in the current year to have less value than dollars earned and spent in the prior years. The constant dollar revenue, cost and per share data is calculated by adjusting historical dollar amounts to average 1982 dollars using the CPI-U. No adjustments have been made to taxes on income for deferred taxes that might be deemed to arise as a result of differences between income on a constant dollar basis and income reported for tax purposes. Constant dollar amounts for 1982, 1981, 1980, and 1979 have been computed by reference to historical data for each quarter.

Depreciation expense is calculated by restating the historical cost of assets acquired in prior years into 1982 dollars using CPI-U indices and calculating depreciation thereon using the same methods and estimated useful lives as used in the traditional statements.

The economic significance of monetary items (cash, receivables and obligations of fixed amounts) is related to the general purchasing power of money. During an inflationary period, companies experience purchasing power gains from holding net monetary liabilities and purchasing power losses from holding net monetary assets. As a result of holding net monetary assets, Intel experienced purchasing power losses in 1982, 1981, 1980, and 1979.

Intel's constant dollar net assets at December 31, 1982, 1981, 1980, and 1979, valued at average 1982 dollars, are $621.0, $601.2, $544.9, and $441.3 million, respectively. Constant dollar net income for 1981, 1980, and 1979, adjusted to average 1982 dollars, is $5.0, $90.7, and $86.9 million, respectively. Constant dollar earnings per share for these years are $.12, $2.07, and $2.06, respectively.

Current Cost Information—Current cost data has been computed by restating depreciation expense into 1982 dollars based upon specific indices relevant to Intel's capital assets rather than using a general index such as the CPI-U. The method of restatement is the same as used for constant dollar information. No adjustment has been made to inventories other than their depreciation component since historical costs approximate current cost.

Intel's current cost net assets at December 31, 1982, 1981, 1980, and 1979, valued at average 1982 dollars, are $612.9, $586.7, $564.6, and $422.6 million, respectively. Current cost net income for 1981, 1980, and 1979, adjusted to average 1982 dollars, is $18.0, $101.9, and $81.1 million, respectively. Current cost earnings per share for these years are $.40, $2.33, and $1.92, respectively.

Board of Directors

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Edward L. Gelbach
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Andrew S. Grove*
President and Chief Operating Officer, Intel Corporation

D. James Guzy†
President of Arbor Laboratories, manufacturer of electronic instruments

Richard Hodgson†
Industrialist

Sanford Kaplan†•
Retired Corporate Executive

Max Palevsky
Industrialist

Arthur Rock*†•
Chairman of the Executive Committee; General Partner of Arthur Rock and Associates, venture capital investors

Charles E. Young
Chancellor of the University of California at Los Angeles

** Member of the Executive Committee*
† Member of the Audit Committee
• Member of the Compensation Committee

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Chairman of the Board of Directors and Chief Executive Officer

Andrew S. Grove
President and Chief Operating Officer

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Vice Chairman of the Board of Directors

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Senior Vice President and General Manager, Components Group

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Edward L. Gelbach
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Senior Vice President, Finance and Administration

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Vice President and General Manager, Non-Volatile Memory Division

Keith L. Thomson
Vice President and Director, Systems Operations

Ronald J. Whittier
Vice President and General Manager, Memory Products Division

Form 10-K

If you would like to receive, without charge, a copy of the Corporation's 'Form 10-K' which will be filed with the Securities and Exchange Commission prior to March 31, 1983 for the 1982 year, please send your request to:
Roger S. Borovoy, Secretary
Intel Corporation
Mail Stop 4-105
3065 Bowers Ave.
Santa Clara, Ca. 95051.

Annual Meeting

The Intel Annual Meeting of Shareholders will be held March 30, 1983 at The Red Lion Inn, San Jose, California.

Transfer Agent and Registrar

Wells Fargo Bank
San Francisco, California;
Wells Fargo Securities Clearance Corp.
New York, New York

Certified Public Accountants

Arthur Young & Company
San Jose, California

Corporate Headquarters

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Santa Clara, CA 95051

Additional copies of this report are available at the following locations:

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